



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

September 11, 2006

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending July 31, 2006. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mary A. Lannoye".

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
John Burchett, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2006
Projected Revenues and Expenditures
July 31, 2006
(\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 220.5
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2006 Consensus Estimate	\$ 8,281.7
Adjustments to Consensus Baseline	
Additional Revenue Adjustments:	
Revenue Sharing Freeze (PA 196 of 2005 and May 2006 Consensus)	\$ 350.6
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 192.4
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 15.0
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 7.0
Agriculture Equine Industry Development Fund Revenue Deposit to GF (PA 42 of 2006)	\$ 2.0
Remonumentation Fund Revenue Deposit to GF (PA 76 of 2006)	\$ 15.0
Land Sales (including PA 179 of 2006)	\$ 47.0
Subtotal Additional Revenue Adjustments	\$ 639.0
Total FY Resources Available For Expenditure GF/GP	\$ 9,141.2
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,975.7
Enacted Supplemental (PA 226 of 2005)	\$ 1.0
Enacted Supplemental (PA 297 of 2005)	\$ 4.9
Enacted Supplemental (PA 153 of 2006)	\$ 22.2
Anticipated Expenditure Adjustments:	
Enrolled House Bill 5796	\$ 52.7
Projected Appropriation Lapses	\$ (25.0)
Total Expenditures Projected	\$ 9,031.5
Projected Ending Balance, September 30, 2006	\$ 109.7

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures July 31, 2006 (\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 93.7
Current Year School Aid Fund Revenues, May 2006 Consensus	\$ 11,198.0
Adjustments to Consensus Baseline	
FY04 Audit Receivables Adjustments	\$ 3.0
Anticipated Miscellaneous Revenue	\$ 1.4
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 11,202.4
School Bond Loan Revolving Fund	\$ 44.5
General Fund Subsidy	\$ 62.7
	\$ 107.2
Federal Aid	\$ 1,392.6
Total Available SAF Resources	\$ 12,795.9
Expenditures	
Enacted Appropriations PA 155 of 2005	\$ 12,757.2
Revised cost estimates	\$ (56.6)
Adjusted Appropriations	\$ 12,700.6
Projected School Aid Fund Ending Balance September 30, 2006	\$ 95.3

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

July 31, 2006

(\$ IN MILLIONS)

FISCAL YEAR 2004-05

FISCAL YEAR 2005-06

July 2005	Yr-to-date 2004-05	Fiscal Yr end SEP 30, 2005	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc July 2006	Exp & Enc Yr-to-date 2005-06
9.5	78.3	93.6	Agriculture	119.2	1.9	7.7	70.3
4.7	47.2	57.4	Attorney General	63.8	1.9	4.1	48.5
23.0	257.2	291.2	Capital Outlay	228.3	49.6	1.2	14.6
0.9	10.5	12.3	Civil Rights	13.2	0.5	1.0	10.9
2.7	20.2	25.3	Civil Service	35.9	0.0	1.9	22.1
159.6	1,764.8	1,909.7	Colleges & Universities	1,868.8	0.7	159.6	1,690.6
903.6	8,292.3	9,808.9	Community Health	10,203.9	98.2	919.2	7,939.1
124.5	1,383.5	1,682.4	Corrections	1,841.3	0.0	140.0	1,476.7
4.8	70.6	78.8	Education	101.1	3.3	4.2	54.8
17.7	146.3	178.5	Environmental Quality	410.5	1.5	9.2	140.2
0.5	4.1	5.0	Executive Office	5.4	0.0	0.4	4.3
11.5	47.3	53.9	History, Arts & Library	53.2	0.6	10.4	42.8
341.1	3,335.8	3,929.5	Human Services	4,423.9	5.5	367.6	3,457.6
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
26.8	175.7	207.0	Judiciary	255.4	0.2	32.0	179.7
82.6	593.0	719.9	Labor & Economic Growth	862.6	96.1	63.0	622.6
10.3	106.9	131.2	Legislature	129.7	0.7	10.4	110.0
16.0	126.6	151.9	Management & Budget	169.8	12.9	19.6	137.0
7.9	84.8	102.6	Military Affairs	111.6	2.3	9.4	89.7
3.5	61.7	74.4	Natural Resources	95.8	3.3	3.7	63.8
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
15.8	175.5	215.3	State	197.4	11.2	17.0	208.4
34.6	339.6	427.4	State Police	550.8	24.7	33.4	379.3
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
24.5	1,235.2	1,528.7	Treasury	1,794.2	51.9	58.5	1,505.2
\$1,826.1	\$18,357.1	\$21,684.9		\$23,535.9	\$366.8	\$1,873.5	\$18,268.2

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006

July, 2006

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,734.7	3.0	15,737.7
Total state spending from state resources	27,094.4	554.4	27,648.8
Percentage of state spending from state resources paid to local units	58.07%		56.92%
Required payments to local units (48.97%)	13,268.1		13,539.6
Surplus/(deficit)	\$2,466.6		\$2,198.1

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2005 THROUGH JULY 31, 2006
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>36</u>
Total Revenues	<u>36</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>36</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u>\$ 36 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2005 THROUGH JULY 31, 2006
(in thousands)

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,721
Other	-
Total miscellaneous	<u>1,721</u>
Total Operating Revenues	<u>1,721</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	1,688
Total other operating expenses	<u>1,688</u>
Total Operating Expenses	<u>1,688</u>
Operating Income (Loss)	<u>33</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>33</u>
Net Income (Loss)	<u>\$ 33 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2005 THROUGH JULY 31, 2006
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>39,063</u>
Total Revenues	<u>39,063</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,507
Capital outlay	<u>25,669</u>
Total Expenditures	<u>28,177</u>
Excess of Revenues over (under) Expenditures	<u>10,886</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	123
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,012)</u>
Total Other Financing Sources (Uses)	<u>(9,889)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 998 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

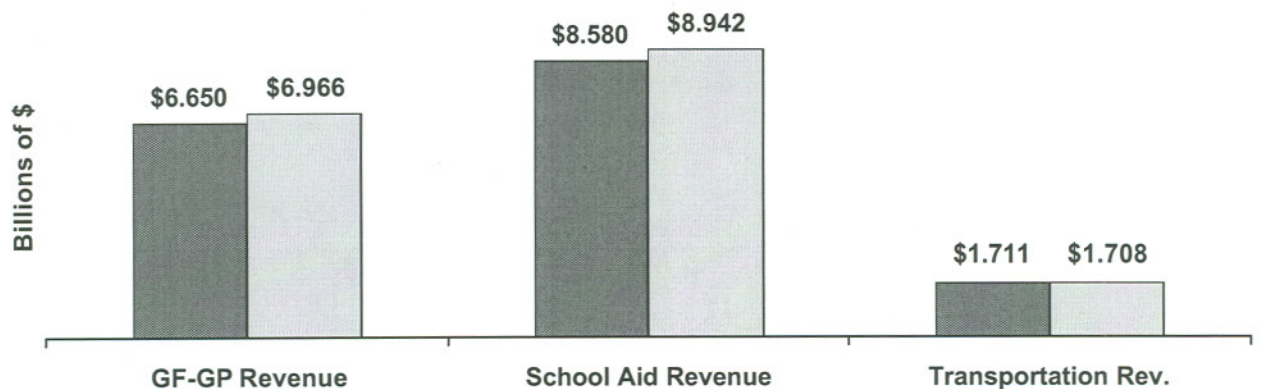
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for July 2006, representing some June and some July economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$123.1 million (16.5 percent) higher in July 2006 than in July 2005. The increase is due in part to the timing of withholding and single business tax collections. July School Aid Fund cash collections were \$62.3 million (8.5 percent) higher than in July 2005. July transportation collections were \$1.3 million (0.8 percent) lower than in July 2005 (see revenue table). July is the tenth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$316.1 million (4.8 percent) from a year ago. School Aid Fund cash collections are up \$361.9 million (4.2 percent), and transportation collections are down \$3.2 million (0.2 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Consensus estimate for net General Fund - General Purpose revenue for FY 2005-2006 is \$8,281.7 million and the net School Aid revenue forecast is \$11,198.0 million. The Transportation Funds revenue forecast is \$2,238.5 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2007.

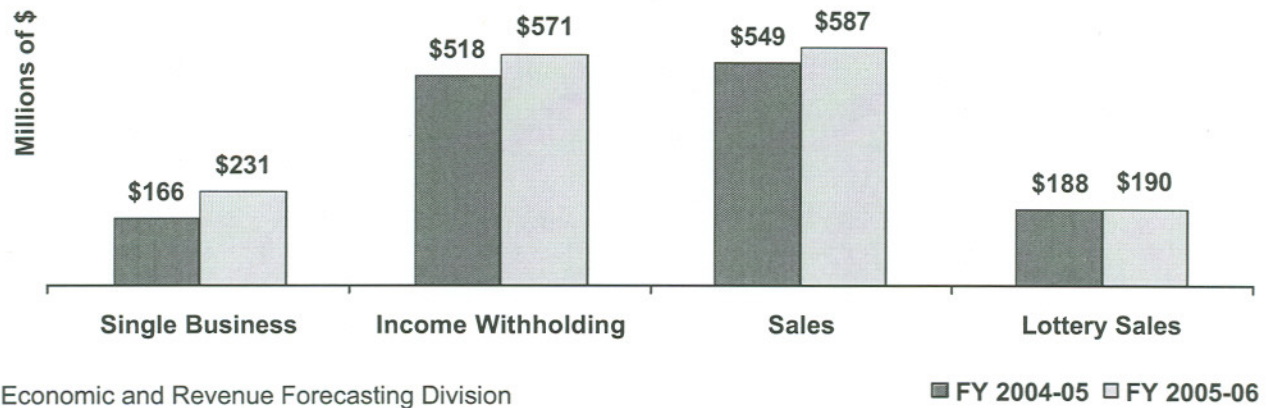
**October through July Collections
Fiscal Years 2004-05 and 2005-06**



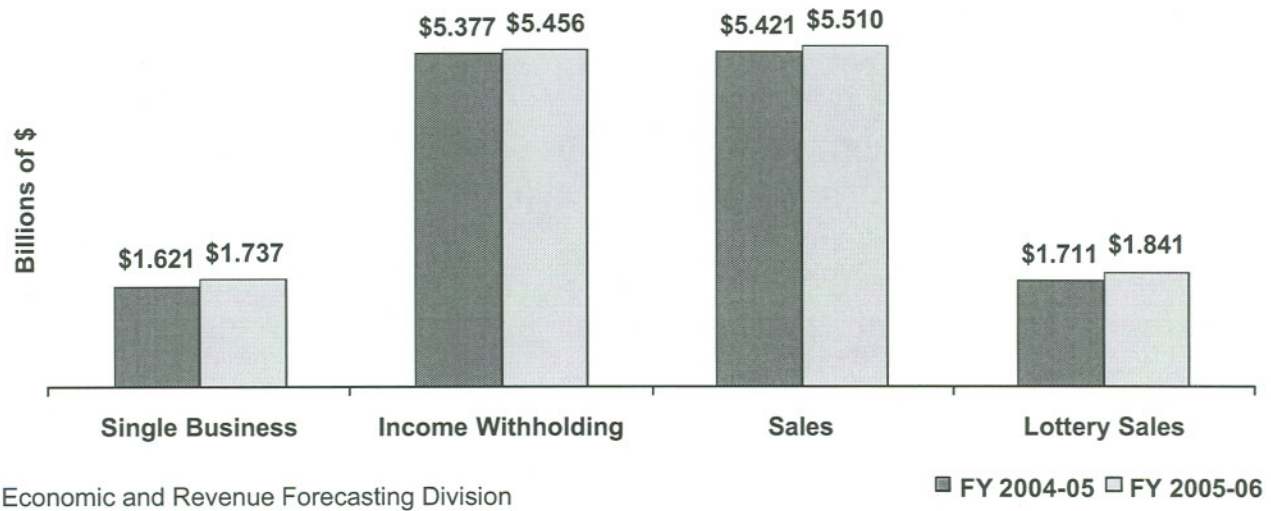
Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06

July Revenue Collections Fiscal Years 2004-05 and 2005-06



October through July Collections Fiscal Years 2004-05 and 2005-06



Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: July 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JULY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
July		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus
Income Taxes											
\$517,952	\$571,267	\$53,315	10.3%	Withholding	\$5,377,220	\$5,455,515	\$78,295	1.5%	\$6,427,400	\$6,607,100	\$6,516,600
8,854	6,775	(2,079)	-23.5%	Quarterlies	483,023	553,187	70,164	14.5%	643,000	670,100	722,000
6,728	9,146	2,418	35.9%	Annuals	613,251	669,893	56,642	9.2%	648,600	624,200	695,100
533,534	587,188	53,654	10.1%	Gross Collections	6,473,494	6,678,595	205,101	3.2%	\$7,719,000	\$7,901,400	\$7,933,700
33,973	21,815	(12,158)	-35.8%	Less: Refunds	1,599,877	1,591,854	(8,023)	-0.5%	1,610,800	1,725,000	1,679,000
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500
499,561	565,373	65,812	13.2%	Net Personal Income	4,873,617	5,086,741	213,124	4.4%	\$6,106,700	\$6,174,900	\$6,253,200
133,384	152,669	19,285	14.5%	Less: Disbursements to SAF	1,618,374	1,736,435	118,061	7.3%	\$1,985,600	\$2,051,000	\$2,058,800
\$366,178	\$412,704	\$46,526	12.7%	NET PERSONAL INCOME TO GF-GP	\$3,255,244	\$3,350,306	\$95,063	2.9%	\$4,121,100	\$4,123,900	\$4,194,400
Consumption Taxes											
\$7,603	\$7,604	\$1	0.0%	Sales (a)	\$74,376	\$67,157	(\$7,219)	-9.7%	\$99,200	\$114,700	\$106,200
71,255	81,627	10,372	14.6%	Use	751,534	771,998	20,464	2.7%	934,700	963,600	941,100
11,255	21,516	10,261	91.2%	Tobacco	96,934	192,419	95,485	98.5%	116,500	228,100	235,300
5,247	5,071	(176)	-3.4%	Beer, Wine & Mixed Spirits	41,659	41,562	(97)	-0.2%	51,000	52,500	52,000
3,399	3,648	249	7.3%	Liquor Specific	25,203	26,124	921	3.7%	33,600	34,000	34,000
\$98,760	\$119,467	\$20,706	21.0%	TOTAL CONSUMPTION TAXES	\$989,706	\$1,099,260	\$109,554	11.1%	\$1,234,900	\$1,392,900	\$1,368,600
Other Taxes											
\$165,678	\$231,324	\$65,646	39.6%	Single Business	\$1,620,834	\$1,736,805	\$115,971	7.2%	\$1,913,500	\$1,913,800	\$1,852,900
26,267	28,415	2,148	8.2%	Insurance Premiums Taxes	205,595	196,298	(9,297)	-4.5%	249,500	240,000	235,000
191,945	259,739	67,794	35.3%	Sub-total SBT & Insurance	1,826,429	1,933,103	106,674	5.8%	2,163,000	2,153,800	2,087,900
2,455	190	(2,265)	-92.3%	Inheritance / Estate	27,696	663	(27,033)	-97.6%	101,500	8,000	1,000
51,946	39,056	(12,890)	-24.8%	Telephone & Telegraph	97,820	85,579	(12,241)	-12.5%	99,100	81,300	83,000
3,450	6,242	2,792	80.9%	Oil & Gas Severance	54,836	75,151	20,315	37.0%	66,700	60,000	94,000
3,751	3,853	101	2.7%	Casino Wagering	35,446	37,553	2,107	5.9%	42,200	43,100	44,100
8,112	11,677	3,565	43.9%	Penalties & Interest	93,999	124,790	30,791	32.8%	142,500	108,000	146,700
645	354	(291)	-45.1%	Miscellaneous Other/Railroad	804	482	(322)	-40.0%	1,200	0	0
(6,667)	(7,667)	(1,000)	15.0%	Treasury Enforcement Programs (f)	(66,667)	(73,667)	(7,000)	10.5%	(91,200)	(80,000)	(92,000)
\$255,637	\$313,443	\$57,806	22.6%	TOTAL OTHER TAXES	\$2,070,364	\$2,183,654	\$113,290	5.5%	\$2,525,000	\$2,374,200	\$2,364,700
\$720,575	\$845,614	\$125,039	17.4%	SUBTOTAL GF-GP TAXES	\$6,315,314	\$6,633,220	\$317,906	5.0%	\$7,881,000	\$7,891,000	\$7,927,600

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: July 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JULY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
July		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus
Non-Tax Revenue (f)											
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$29,167	\$29,167	\$0	0.0%	\$35,700	\$35,000	\$35,000
167	167	0	0.0%	Local Agencies	1,667	1,667	0	0.0%	300	2,000	2,000
1,500	1,500	0	0.0%	Services	15,000	15,000	0	0.0%	19,800	18,000	18,000
4,500	2,833	(1,667)	-37.0%	Licenses & Permits	45,000	33,333	(11,667)	-25.9%	27,400	54,000	34,000
(9,792)	(12,057)	(2,265)	23.1%	Investments/Interest Costs	(15,871)	(16,369)	(499)	3.1%	(54,400)	(85,000)	(70,000)
9,433	12,050	2,617	27.7%	Misc. Non-tax Revenue	94,333	115,475	21,142	22.4%	135,100	124,500	144,600
11,333	11,667	333	2.9%	Liquor Purchase Revolving Fund	113,333	115,167	1,833	1.6%	142,200	134,000	140,000
5,192	4,208	(983)	-18.9%	From Other Funds-Lottery & Escheats	51,917	39,283	(12,633)	-24.3%	111,700	39,300	50,500
\$25,250	\$23,285	(\$1,965)	-7.8%	TOTAL NON-TAX REVENUE	\$334,546	\$332,722	(\$1,824)	-0.5%	\$417,800	\$321,800	\$354,100
\$745,825	\$868,899	\$123,074	16.5%	TOTAL GF-GP REVENUE	\$6,649,860	\$6,965,943	\$316,083	4.8%	\$8,298,900	\$8,212,900	\$8,281,700
School Aid Fund											
\$223,695	\$239,521	\$15,826	7.1%	Sales Tax 4%	\$2,210,150	\$2,251,187	\$41,037	1.9%	2,690,000	2,814,800	2,738,800
175,952	187,716	11,763	6.7%	Sales Tax 2%	1,737,087	1,757,806	20,719	1.2%	2,115,700	2,213,600	2,144,900
35,628	40,814	5,186	14.6%	Use Tax 2%	375,767	385,999	10,232	2.7%	467,600	481,800	470,500
15,586	31,869	16,283	104.0%	State Education Property Tax	1,276,452	1,413,538	137,086	10.7%	1,914,500	1,956,900	2,010,000
28,621	25,391	(3,230)	-11.3%	Real Estate Transfer Tax	258,551	257,116	(1,435)	-0.6%	313,500	316,000	320,000
55,000	55,000	0	0.0%	Lottery Transfer (b)	489,883	530,579	40,697	8.3%	667,600	654,300	708,500
8,682	8,916	234	2.7%	Casino Wagering Tax	82,033	86,909	4,876	5.9%	97,600	99,700	102,000
3,354	3,545	191	5.7%	Liquor Excise Tax	24,795	25,826	1,031	4.2%	33,100	34,000	34,000
45,133	43,681	(1,452)	-3.2%	Cigarette/Tobacco Tax	388,694	390,640	1,945	0.5%	472,700	463,100	473,300
5,742	4,583	(1,158)	-20.2%	Indus. & Comm. Facilities Taxes	112,382	97,711	(14,671)	-13.1%	138,200	133,000	123,000
1,037	417	(620)	-59.8%	Specific Other	5,860	8,156	2,295	39.2%	13,600	14,800	14,100
133,384	152,669	19,285	14.5%	Income Tax Earmarking	1,618,374	1,736,435	118,061	7.3%	\$1,985,600	\$2,051,000	\$2,058,800
\$731,814	\$794,122	\$62,308	8.5%	TOTAL SCHOOL AID FUND	\$8,580,028	\$8,941,902	\$361,874	4.2%	\$10,909,700	\$11,233,100	\$11,198,000
\$548,778	\$586,918	\$38,140	6.9%	SALES TAX 6%	\$5,420,670	\$5,509,785	\$89,115	1.6%	\$6,599,100	\$6,905,000	\$6,709,600
372,826	399,202	26,376	7.1%	SALES TAX 4%(d)	3,683,583	3,751,978	68,396	1.9%	4,483,400	4,691,400	4,564,700
175,952	187,716	11,763	6.7%	SALES TAX 2%	1,737,087	1,757,806	20,719	1.2%	2,115,700	2,213,600	2,144,900
106,883	122,441	15,558	14.6%	USE TAX 6%	1,127,301	1,157,998	30,697	2.7%	1,402,300	1,445,500	1,411,600
12,969	13,319	350	2.7%	CASINO WAGERING TAX	122,543	129,827	7,283	5.9%	145,800	149,000	152,400
111,440	108,122	(3,317)	-3.0%	TOBACCO TAXES	959,738	966,930	7,191	0.7%	1,179,900	1,145,500	1,179,500
0	0	0	na	TOBACCO SETTLEMENT	274,327	254,616	(19,711)	-7.2%	na	na	na
0	0	(0)	-100.0%	CIGARETTE INVENTORY TAX	0	0	(0)	-100.0%	na	na	na

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: July 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JULY CASH COLLECTIONS DATA						REVENUE PROJECTIONS			
July		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006		
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006		
Totals (e)											Estimate	Consensus	
Major Transportation Revenues													
\$14,568	\$14,042	(\$526)	-3.6%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$121,670	\$126,175	\$4,505	3.7%	\$146,308	\$151,100	\$153,000		
82,097	79,110	(2,987)	-3.6%	Gasoline	759,966	746,732	(13,233)	-1.7%	922,368	942,000	918,000		
64,102	66,411	2,309	3.6%	Motor Vehicle Registration	725,435	733,680	8,245	1.1%	863,367	891,300	892,000		
5,929	4,796	(1,132)	-19.1%	Other Taxes, Fees & Misc.	56,649	41,801	(14,848)	-26.2%	221,060	190,013	207,719		
4,712	5,719	1,007	21.4%	Comprehensive Transportation (c)	47,122	59,231	12,110	25.7%	62,749	76,793	67,751		
\$171,409	\$170,079	(\$1,330)	-0.8%	TOTAL MAJOR TRANS. REVENUES	\$1,710,841	\$1,707,620	(\$3,222)	-0.2%	\$2,215,852	\$2,251,205	\$2,238,470		
Lottery Sales By Games													
58,320	62,423	4,103	7.0%	Instant Games	552,233	592,900	40,667	7.4%	na	na	na		
64,868	65,229	360	0.6%	Daily Games	595,011	584,575	(10,436)	-1.8%	na	na	na		
30,260	20,411	(9,849)	-32.5%	Lotto and Big Game	246,786	264,774	17,987	7.3%	na	na	na		
1,308	1,363	55	4.2%	Keno Game	11,118	12,074	955	8.6%	na	na	na		
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na		
33,475	40,965	7,490	22.4%	Club Games	306,328	386,273	79,944	26.1%	na	na	na		
\$188,232	\$190,392	\$2,159	1.1%	TOTAL LOTTERY SALES	\$1,711,477	\$1,840,595	\$129,119	7.5%	na	na	na		

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue items other than interest are estimates.

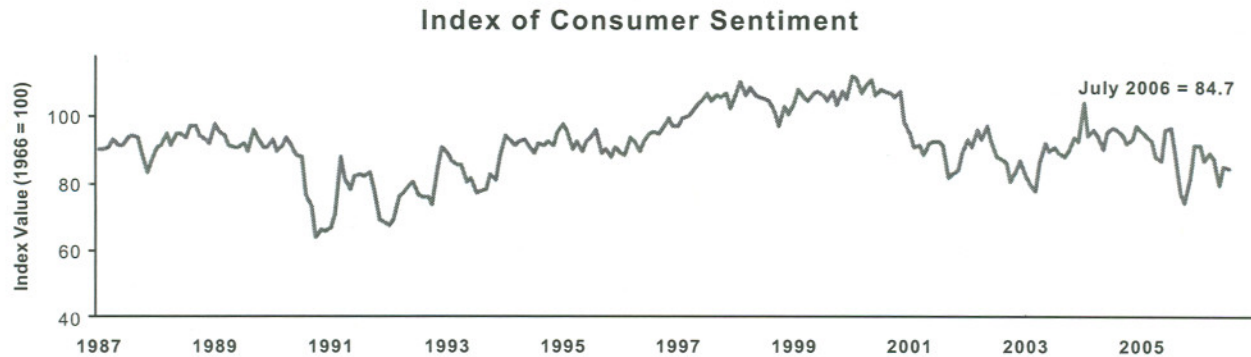
g Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 84.7 in July, 0.2 index-points below the June value and 11.1 index-points below July 2005. On the July reading, Survey director Richard Curtin reported, "Overall, the data continue to indicate a slower pace of growth in consumer spending, but not a recessionary decline. A growth rate of 2.5% in real personal consumption spending can be expected during the next four quarters." Among households with different incomes, Survey director Richard Curtin observed, "While the overall level of consumer confidence remained unchanged, the stability masked a growing divergence among income subgroups. Inflation, especially high gas prices, has driven a wedge between upper and lower income households that has begun to extend beyond personal financial assessments. Households with incomes in the lower third of the income distribution held significantly more negative evaluations, ranging from their own finances to how they view prospects for employment and for economic growth." Curtin noted, "While the level of the Sentiment Index remained near its fifty year average, the gap between those in the bottom fifth and the top fifth of the income distribution now totals 30 index-points, the largest gap in the last twenty years." In July, consumers in two of the four regions reported an increase in confidence. Midwestern consumers reported the largest increase in confidence of 6.4 index-points followed by Southern consumers with an increase of 1.6 index points. Northeastern consumers reported a large decrease in confidence of 11.2 index-points. Western consumers reported a decrease in confidence of 2.8 index-points. The gap across regions decreased from last month to 13.5 index-points, with Western consumers on top and Northeastern consumers on the bottom.

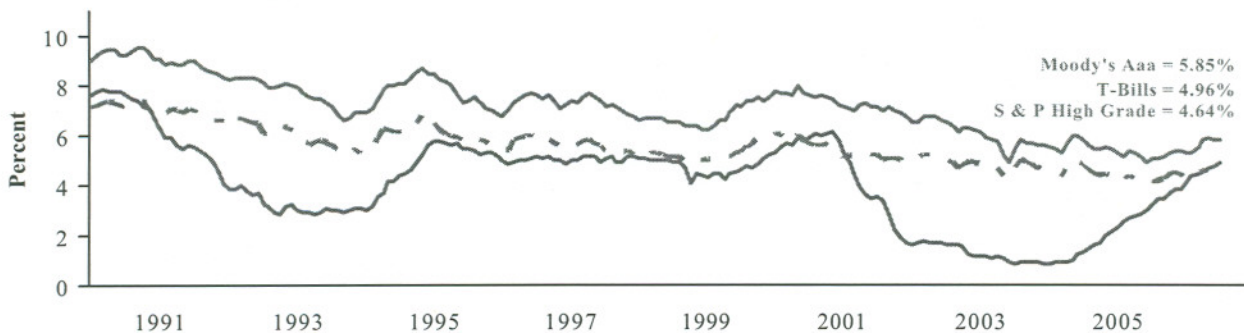
The advance estimate of real **Gross Domestic Product** for the second quarter of 2006 is \$11,385.3 billion (chained 2000 dollars), an increase of 2.5 percent at an annual rate. In the first quarter of 2006, real gross domestic product increased 5.6 percent. Personal consumption expenditures for services, private inventory investment, nonresidential structures, exports and state and local government spending led second quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 2.5 percent in the second quarter compared to an increase of 4.8 percent in the first quarter. Real residential fixed investment decreased 6.3 percent in the second quarter compared to a decrease of 0.3 percent in the first quarter. Real nonresidential fixed investment increased 2.7 percent in the second quarter led by increased investment in nonresidential structures of 12.7 percent. Real federal government expenditures decreased 3.4 percent in the second quarter, compared to an increase of 8.8 percent in the first quarter. Real state and local government

spending increased 3.0 percent in the second quarter, compared to a 2.7 percent increase in the first quarter. Exports of goods and services increased 3.3 percent in the second quarter, compared to a 14.0 percent increase in the first quarter. Imports increased 0.2 percent in the second quarter compared to an increase of 9.1 percent in the first quarter. Private inventory investment increased \$52.6 billion in the second quarter, up from a \$41.2 billion increase in the first quarter. Real final sales increased 2.1 percent in the second quarter compared to a 5.6 percent increase in the first quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the second quarter the same as observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.4 percent in July, up from a 0.2 percent increase in June. Energy increased by 2.9 percent in July; compared to a 0.9 percent decrease in May, while the all-items less food and energy component increased 0.2 percent. For the six months since January, the all-items index increased at a 4.3 percent annual rate.

Compared to July 2005, the all-items index increased 4.1 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.2 percent; housing, 4.1 percent; medical care, 4.0 percent; recreation, 2.0 percent; education and communication, 3.0 percent; and other goods and services, 2.3 percent, with tobacco prices up 3.6 percent; transportation 8.4 percent, with gasoline prices up 29.6 percent; apparel remained unchanged from a year ago.

Selected Key Interest Rates



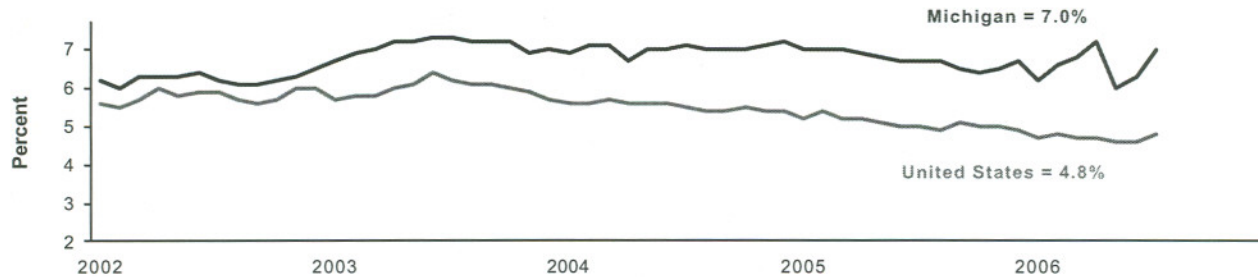
Source: Economic Indicators

Short-term **interest rates** increased 0.17 percentage points in July as the 3-month Treasury bill (T-bill) rate averaged 4.96 percent. Compared to one year ago, the T-bill rate is up 1.74 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.04 percentage points to an interest yield of 5.85 percent in July. Compared to one year ago, the Aaa bond yield is up 0.79 percentage points. The interest rate on High-grade municipal bonds remained unchanged at 4.64 percent in July, and stands 0.49 percentage points above its year ago level. The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged at its August 8th meeting at 5.25 percent. The FOMC stated that, "Readings on core inflation have been elevated in recent months, and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time." The committee, "judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

In July, the **U. S. unemployment rate** increased 0.2 percentage points from a month ago to 4.8 percent but was down 0.2 percentage points from one year ago. Civilian employment totaled 144.3

million persons in July, down 34 thousand from June. The number of unemployed was 7.2 million nationwide.

Unemployment Rates 2002 - 2006

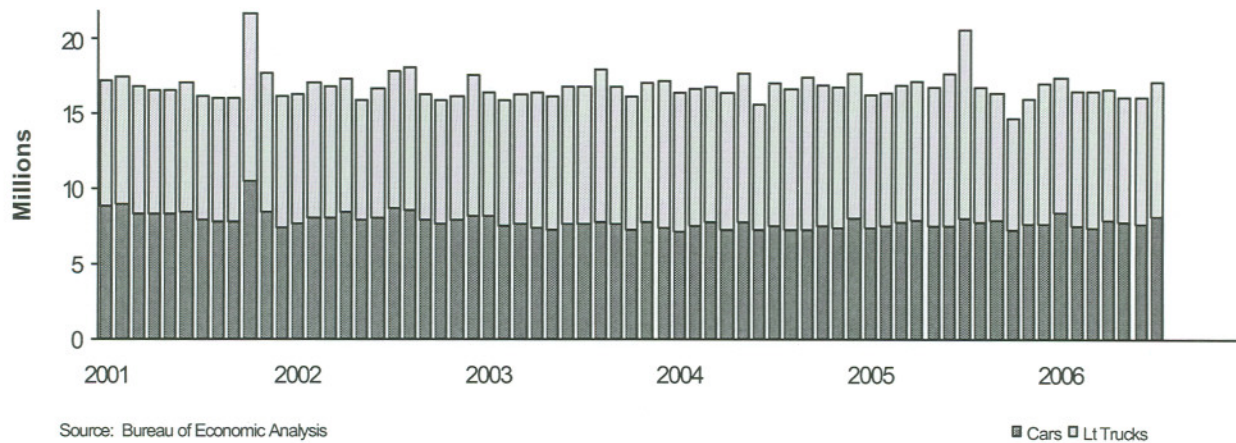


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In July, the **Michigan jobless rate** increased 0.7 percentage points to 7.0 percent. Compared to a year ago, Michigan's jobless rate was 0.3 percentage points higher. From a month ago, the labor force decreased by 20,000 to 5,095,000, while the number of people employed decreased by 55,000 to 4,739,000. In July, there were 356,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.4 percent may be a better measure of actual conditions.

Motor Vehicle Sector

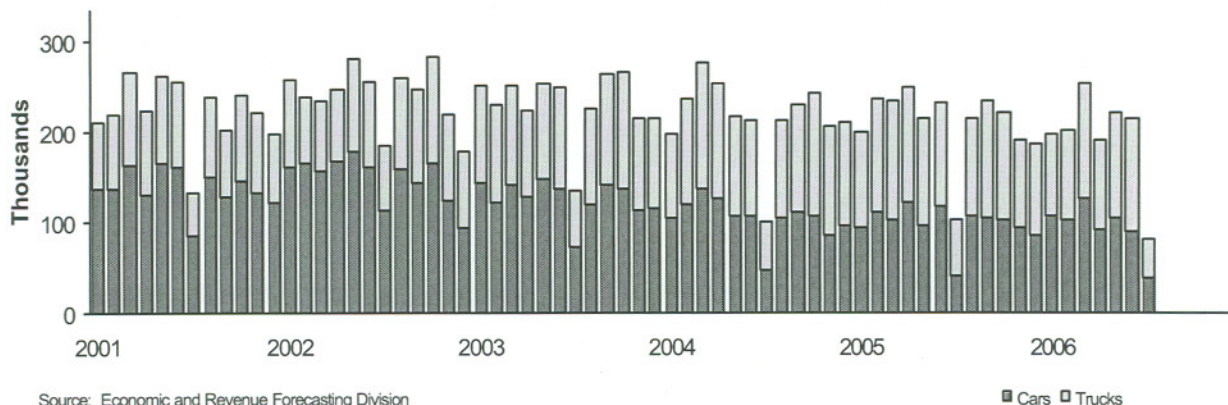
U. S. Light Vehicle Sales



U. S. light vehicle sales (cars + light trucks) increased 1.0 million units in July compared to last month, selling at a 17.1 million unit seasonally adjusted annual rate. Domestic car sales increased 4.9 percent while domestic light truck sales increased 6.1 percent. Import car sales increased 10.1 percent while import light truck sales increased 6.4 percent. Compared to last year, light vehicle sales decreased 17.2 percent. Domestic car sales were down 0.4 percent while domestic light truck sales decreased 32.6 percent. Import car sales were up 15.4 percent while import truck sales fell 1.0 percent from last year. As a result, the domestic share decreased 5.6 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 78.5 percent share of a 16.4 million-unit market.

Michigan motor vehicle production decreased to 81,624 units in July. Production was down due to the traditional summer vacation and model change-over period. From a year ago, motor vehicle production decreased 21 percent in Michigan and fell 10 percent nationally. In July, Michigan's car production was 39,651 units while the state's truck production was 41,973 units. Compared with a year ago, car production decreased 4 percent in Michigan and decreased 5 percent nationwide. The state's truck production decreased 31 percent while national truck production fell 12 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 17, 2006 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Actual	Fiscal Year 2005-2006 Estimate
Applicable Calendar Year Personal Income	\$303,745	\$314,460	\$324,134
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
State Revenue Subject to Limit	\$24,384.7	\$25,626.8	\$26,211.0
Amount Under (Over) Limit	\$4,440.7	\$4,215.5	\$4,549.3

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury